



ECONOMIC FORECASTING CENTER

MONTHLY PROJECTIONS

February 1991

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VICTORY; BUT THE RECESSION CONTINUES

Victory in the Middle East certainly is clarifying some of the economic conditions. The war apparently will cost under \$50 billion. If all allies meet their pledges, the claims on American taxpayers will be minimal. Furthermore, because the pledges will be transferred to Federal Reserve accounts and then disbursed, the dollar will receive some strength from the payment adjustment process. As far as the GNP accounts are concerned, defense spending will rise, especially in the nondurable category to account for ordnance, while foreign transfers will turn negative. The impact upon the government deficit will be minimal. However, the reduction in government transfers abroad substantially reduces the current account deficit in this and the next quarter, thus leading to a strengthening dollar.

Some defense spending is expected in the second and third quarter to replenish materials that were used in the war. However, the magnitude of the spending will not be sufficient to substantially stimulate economic activity.

The destruction of Kuwaiti oil fields has been more extensive than expected. Even those wells that were being pumped because they appeared to not have enough pressure to lift the oil are burning. Originally, about half the wells were expected to quickly burn themselves out as no oxygen exists under the ground. Because of the fires, about 6 million barrels a day of oil reserves are going up in smoke. The heat around the wells will prevent serious extinguishing for some time. Thus, several billion barrels of oil reserve may be destroyed before all fires are stemmed. This destruction has firmed oil prices. As a result, the decline in energy material prices in 1991 will not be as great as originally expected. Nevertheless, the flow of oil currently is adequate to meet world needs without any serious price increases. Although oil prices still may momentarily fall below \$20 per barrel during the summer, a return to the OPEC level of \$21 per barrel appears assured. However, little further oil price increase is likely in 1992.

Another fallout from the war is the shift of Kuwait from a net supplier of funds to the world economy to a net borrower. This shift is probably as much as \$60 billion per year for the next two years. Any reconstruction of Iraq also may require world funds, although Iraq's oil fields largely are intact and a diversion from defense to reconstruction could mean little net change upon world savings and spending from the Iraqi rebuilding. Of course, some shift in Saudi activity also is likely. Whether they add capacity to produce 10 million barrels of oil a day remains problematical, but some rebuilding is likely. Thus, the war probably causes a \$100 billion shift in the world's net savings per year for the next two years. This is equivalent to the shift in net savings that accompanied the opening of Eastern Europe.

Because of the shift in world net savings, interest rates will remain higher than they otherwise would have been. We estimate about a quarter point higher real rates probably are required until the rebuilding is completed. Also, the loss of oil reserves may cause slightly higher inflation rates than previously expected. As a result, long term interest rates later this year may be as much as half a percentage point higher than previously expected.

However, the victory also means a shift in consumer sentiment. When we estimate sentiment by way of interest rate changes, inflation, and employment changes, the relationship normally is very strong. However, a large gap developed between the estimated and actual sentiment series beginning in August. This is ascribed to the uncertainties of war. Now that those uncertainties are largely dissipated, the gap should close. This does not mean that consumer activity will return to July levels, for a million jobs have been lost since then. Thus, sentiment should be lower, but not as low as it currently is. As sentiment improves, consumer spending should gradually rebound. However, little evidence of a surge in consumer activity is apparent in the late February auto sales.

The positive gains from improving consumer sentiment should overwhelm negative influences from reduced defense spending and higher interest rates as a result of the war. Therefore, an economic expansion should begin in the spring. Nevertheless, several factors that have also contributed to sluggish economic activity have not yet been resolved.

First, the construction overhang remains substantial. Production of all construction products now is less than absorption. This is especially true in apartments, where the 200,000 starts fall well short of the 400,000 additional absorptions. Vacancy rates in commercial, retail, and industrial space have stalled, but an economic rebound should intensify absorption, leading to improvements there once the economy recovers. Even so, the construction recovery will be agonizingly slow because the overhang of defaulted property held by the RTC will allow investors to purchase properties at 60 cents of the construction dollar in many cases. Until that overhang has been returned to private ownership, only a halting rebound in construction is likely.

Inventories of single family housing also are excessive for current sales levels. This continues to push housing values lower in many parts of the country. As a result, the only major equity of many households is no longer gaining value. Most of the problem is with sales, as builders are not receiving the financing to build speculative units. Apparently, the sluggish sales are the result of a sharp reduction in household formations in 1990. This shift in formations is not population induced (although trend household growth continues to decline and may be only slightly above 1.2 million at this time). Instead, adults have been combining together, especially adult males, instead of seeking single adult living quarters. Some of this shift could be sociological and might persist, but a substantial portion of these reduced households reflect reluctance to purchase homes while prices are falling. Once sales pick up, reducing inventories and firming prices, many of these adults will unbundle and return to the housing market. Even so, housing may not strongly lead the economic upturn, as it has done in the past.

Second, the credit crunch is still on. According to data from the St. Louis Federal Reserve, commercial and industrial loans in the latest four week period are 2.2% below the same four weeks a year ago. Loans are off even more in more recent periods. Normally, these loans track well with nominal GNP. Therefore, the banking community is lending at a rate that would cause a 4-5% decline in real economic activity. Fortunately, banks only account for 47% of lending activity, and cannot harm the economy as much as in the past when they refuse to lend. Regulatory authorities are trying to offset the crunch by redefining conditions for qualifying loans. Thus far, loan activity has not rebounded.

However, the Federal Reserve has been easing credit conditions in an effort to offset the crunch. Unfortunately, money growth is not substantial without the lending activity of banks to respond to the reserves supplied by the banks. In the past month money growth has picked up. The reduced interest rates certainly lowered financing charges for corporations, probably staying the hand of some from aggressive cost cutting. Also, some activity may soon be forthcoming in the traditional interest sensitive sectors of the economy as auto dealers use their reduced financing charges to buy customer incentives. More homeowners also should qualify for loans, leading to some gains in the housing market, as mentioned above.

Third, debt positions remain onerous. After averaging 140 percent of GNP in the 1950s through 1970s, debt has climbed to more than 185 percent in the mid-1980s. While debt has stabilized at that higher intensity in the past few years, the servicing problems associated with that debt in this first downturn since it was accumulated are substantial. Therefore, more spending restraints from illiquid households and receivable problems from businesses are likely than in previous downturns. Thus, a financial constraint will reduce the optimal allocation of resources. If the recession remains mild, as I expect, these financially constrained decisions will not be sufficient to substantially alter the pattern of economic development. However, a prolonged downturn could generate an added feature of substantial weakness from financial problems.

Partially offsetting the debt overhang and the decline in housing prices is the rebound in equity values. Two arguments have been advanced for this strong equity move. First, so much regulatory restraint has been preventing liquidity from flowing into hard assets that an unusual concentration has flowed into financial assets. Such a diversion is not so readily apparent in bonds, but such an argument would mean that stock values can be temporarily overvalued. These gains, in turn, would offset some of the debt burdens and lead to improved economic activity, thereby partially justifying the increased value. However, when the liquidity restraints are reduced, some relative correction in equity values would be expected.

Second, our victory has restored the economy to where it was before the invasion of Kuwait. Moreover, greater national pride and increased stature in the world may have some value, leading to increases in equity values. Therefore, stock prices at prewar levels should be restored. The problem with this argument is that the gains from the war are intangibles while the costs of the war in reduced employment from the plunge in consumer sentiment have not yet been reversed. While they should eventually be altered, the stock market may be nine months to a year ahead of the restoration of prewar conditions. (Of course, sluggish growth at best was expected before the war while economic expansion seems likely in the postwar environment).

Our model for the stock market suggests that most of the rally is justified by lower interest rates, a rebound in corporate profitability and some stability in the dollar. All the variables influencing stock market values are moving in the appropriate direction. Nevertheless, the magnitude of the gains, an annualized 44% gain in the first quarter, are excessive. Currently, the composite is at 205 while our model does not predict that value until early 1992. Therefore, we would expect a modest correction followed by consolidation until economic gains are more apparent later in the year.

Monthly Statistical Highlights

	<u>FEBRUARY 1991</u>	<u>MARCH 1991</u>	<u>APRIL 1991</u>
Payroll Employment	-32,000	-25,000	34,000
Index of Hours Worked	0.3%	-0.1%	0.0%
Household Employment	13,000	-33,000	122,000
Civilian Unemployment Rate	6.4%	6.5%	6.5%
Personal Income	0.4%	0.3%	0.5%
Savings Rate	4.3%	4.2%	4.3%
Personal Consumption	0.4%	0.4%	0.4%
Retail Sales	0.5%	0.3%	0.2%
Auto Sales	8.2*	8.4*	8.4*
Housing Starts	0.4%	1.6%	3.1%
Housing Permits	-1.5%	0.5%	2.3%
Construction Expenditures	-0.1%	0.1%	0.3%
Business Inventories	-0.2%	0.1%	0.3%
Orders for Durable Goods	1.3%	-0.7%	-1.5%
Orders - Nondefense Capital Goods	3.1	-1.6%	-2.9%
Industrial Production	-0.2%	0.2%	-0.3%
CPI	0.1%	0.1%	0.2%
PPI	-0.2%	-0.2%	0.1%
Consumption Deflator	0.1%	0.1%	0.2%
Leading Indicators	0.6%	0.4%	-0.2%
Currency Index	-0.5%	1.3%	-1.2%
Equity Index	10.1%	0.0%	0.7%
Real GNP (annual rate)	-0.3%	3.2%	-1.7%
M1 (annual rate)	11.4%	12.0%	5.4%
M2 (annual rate)	7.4%	6.3%	5.4%

* auto sales in millions

COMMENTARY

EMPLOYMENT-The initial unemployment claims for February 23 clearly indicate that the recession is not yet over. Despite a holiday shortened week, claims increased as much as at any time since 1983. the insured unemployment rate rose to 3.1%, or 1.3 percentage points higher than its cyclical low. The recession clearly was not over at the end of February.

PERSONAL INCOME AND OUTLAYS-Special effects were large but largely offsetting in January's drop in personal income. A shorter workweek, reduced employment, and lower hourly earnings combined to reduce wages by \$20.7 billion. A 4.1% pay raise for government workers prevented wages from falling an additional \$4.3 billion. A \$16.7 billion increase in transfer payments was caused by a 5.4% cost of living adjustment for social security and other transfers. Offsetting these gains was a \$16.3 billion decrease in proprietors' income from a sharp reduction in farm subsidies. Also, social security payments rose more than \$7 billion because of changes in medicare payments, the wage base, and monthly medical premiums. Personal taxes fell because of an inflation adjustment to withholding.

After all the adjustments are considered, the wage component remained after all other forces canceled. Therefore, a substantial reduction in spending power ensued. This reduction in spending capacity was offset by actual spending reductions, leading to little change in the savings rate. More normal changes in personal income are likely next month, as wages and hours should rise and most of these other special events will be absent.

Outlays fell most sharply for durable goods, especially autos, but a sharp slowing in expenditures growth for services added to the weakness. Even with some rebound in activity expected for February and March, consumer spending during the first quarter will again decline sharply, if not by as much as in the fall.

CONSTRUCTION-January was such a bad month for construction, that the bottom may be in sight. Single family home sales plunged to 408,000. At these sales levels, inventories are at an unsatisfactory 9.3 months, although actual inventories of homes have not changed. The south showed the greatest weakness, but sales weakness was widespread. Partially because of such poor sales, starts of single family homes plunged to 632,000 in January. Multi-family activity showed some signs of stabilizing at 218,000. The west showed a slight increase in activity but all other regions fell sharply. Permits also continued to fall, suggesting that no early turn in the housing market is evident.

Public construction plunged while other construction weakened in January to cause an even larger decline than anticipated. Weather may have slightly altered construction activity, but much of the weakness reflects underlying conditions. Hotels, hospitals, and industrial construction strengthened slightly, but all other construction activity weakened. The largest decline in the public sector was in highways. However, the President's transportation program should remedy that weakness later this year.

Construction prices continued to drift downward. However, some price gains are likely once the sector begins its rebound in the spring.

BUSINESS ACTIVITY-Clearly, falling petroleum prices are restraining nondurable shipments and orders. However, weakness in manufacturing was more widespread than there. Total shipments were unchanged while orders fell about the same for durables and nondurables. Inventories were unchanged, suggesting some accumulation after price declines are factored into the analysis. The only significant increase in shipments was for motor vehicles, and sales suggest that such shipments must fall back. Declines in communications equipment, aircraft orders, and nonferrous metals orders account for most of the weakness in orders. Orders for motor vehicles and nonelectrical machinery increased.

Inventories accumulated for materials but fell for finished durable goods and remained unchanged for durable goods in process. Nondurable inventories increased at the finished and in-process stages.

After falling 8% at annual rates during the fall, industrial production appears to be generating a similar decline in the winter. Auto production is near lows at 5.4 million cars or 8.2 million total vehicles. Capacity utilization remains consistent with capacity gains of 2.5% for the year.

PRICES-Price increases in January were surprisingly large. Special circumstances led to a 0.8% increase in the non-volatile portions of GNP. As gasoline prices are falling sharply, some relief in inflationary pressures is likely during the next few months. However, this moderation of inflation will not be apparent in the GNP deflator. Because of distortions in handling imported goods, the decline in prices of imported oil will lead to higher estimates of inflation than during the fourth quarter, when the bias was reversed. Nevertheless, other measures of inflationary pressure clearly reflect price moderation.

The price moderation in consumer services is not expected to persist. Indeed, higher gains than our estimates are possible in the winter. The decline in durables does not reflect the high price gains for automobiles in the CPI. However, even if the winter estimates of inflation are too low, some moderation is likely in the spring.

MISCELLANEOUS-Falling oil prices and volumes have substantially improved the trade balances in December. Further moderation of prices is likely in the winter as the December cost per barrel was \$26.03. However, volume should increase from the 198 million barrels delivered in the December. Thus, the oil bill should remain relatively unchanged from December levels through much of 1991. Aside from oil, the trade balances are improving at a \$20 billion per year rate. While some backsliding is likely at midyear, substantial improvement in our trade balances are expected.

The economic rebound after the first quarter should firm short-term interest rates. Along with improvement in our trade balances, currency values should begin improving. Indeed, the dip currently projected for the summer months may not materialize. Being long the dollar is probably the right place to be.

After falling hard in the fall, the leading indicators are beginning to signal a rebound ahead. Although the January indicators showed a decline of 0.4%, improving stock price, money stock, orders and hours worked should begin to generate favorable results in February. No dramatic surge in the indicators, or in the economy is expected.

The inventory valuation should fall sharply because of falling oil prices. As a result, adjusted profits will begin improving. Coupled with improving currency values and some gains in bond prices, stock prices should continue to do well. However, the current index is above 205, suggesting that the market has raced ahead of economic conditions and may need to pause.

FINANCIAL MARKETS

Fortunately, the war will not tax the taxpayer, even if the clean-up may eventually cost some resources. This depends upon how forthcoming the allies will be in meeting their pledges. As a result, the federal government may be reaching its maximum deficit burden in the winter quarter. Some spending will keep deficits high in the spring but deficits should then fall later in the year as the economy recovers. Some of the budget restraint legislation will reduce the high employment deficit, leading to some moderation in government borrowing pressures later this year.

However, the shift in consumer sentiment may lead to a reduction in household support for the credit markets. Both the addition of more mortgages and reduced savings should lead to some upward pressures upon interest rates as far as household behavior is concerned. However, household spending should rise slowly, leading to only modest upward interest rate pressures.

The corporate sector may continue to liquidate inventories for another quarter, but the degree of inventory liquidation already is large. Some moderation in capital spending programs also is likely. Later in the year, improving productivity and continued cost containment should permit corporations to expand without external financing.

When these factors are combined, interest rate pressures could be drifting up slightly during the latter part of the year. Also, the Kuwait effect will raise real interest rates during the spring from what they otherwise would be.

The Federal Reserve is convinced that the economy is about to recover without further guidance from them. Therefore, little further decline in short-term interest rates is likely. While this normally should be good for long-term rates, because inflation fighting is more substantial, long-term rates probably will rise initially upon the absence of Federal Reserve support. On balance, interest rates probably will drift lower into the spring and then begin drifting up again during the latter half of the year. A year from now, government interest rates probably will be higher than they are now.

EQUITY MARKETS-Our stock market analysis suggests that the stock market is early in anticipating the economic recovery. Equities already are priced at levels before the war although economic conditions have not regained prewar levels. A stock market normally anticipates six to nine months down the road, but this market is about a year ahead of conditions. Probably, a substantial amount of rotation will develop with no substantial direction in equity values through the summer. A new burst of value gains then are likely late this year and early in 1992.

Financial institutions, utilities, transportation sectors, and international producers all should still do well in the current environment. Cyclical stocks may not perform as strongly as normal in the early phases of a recovery and neither should housing. The global investment strategy should look less inviting while domestic assets should become more attractive. Most of the value is in the lower capitalized stocks over the counter which are just finding niches in the favored industries.

EMPLOYMENT

	Payroll Employment		Index of Hours Worked		Household Civilian Employment		Civilian Unemployment Rate	Hourly Earnings	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	Proj	AR%
October	110432		123.1		117733		5.7	10.12	
November	110165	-1.6	123.4	-4.4	117386	-0.9	5.9	10.14	2.1
December	110017		124.0		117574		6.1	10.19	
January 1991	109785		121.7		116922		6.2	10.18	
February	109753 *	-1.6	122.1 *	-5.0	116935 *	-2.2	6.4	10.22 *	2.7
March	109728		122.0		116902		6.5	10.25	
April	109762		122.0		117024		6.5	10.28	
May	109793	0.2	122.1	0.5	117096	0.6	6.6	10.30	3.4
June	109846		122.2		117153		6.6	10.33	
July	109874		122.3		117146		6.7	10.36	
August	109913	0.4	122.4	1.0	117188	0.3	6.8	10.39	3.4
September	109953		122.5		117224		6.8	10.42	
October	109998		122.6		117261		6.8	10.45	
November	110067	0.6	122.7	1.0	117316	0.5	6.8	10.49	3.8
December	110134		122.8		117376		6.7	10.52	
January 1991	110195		123.0		117428		6.8	10.55	
February	110236	0.6	123.1	1.3	117459	0.5	6.9	10.59	4.0
March	110297		123.2		117513		6.9	10.63	
Chng Mar(92)/Mar(91)		0.5		1.0		0.5	1.0 #		3.7
Chng Mar(91)/Mar(90)		-0.4		-1.9		-1.1	0.2 #		3.3

PERSONAL INCOME

	Personal Income		Wage & Salary		Personal Savings		Disposable Income		Personal Outlays	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
October	4.695		2.732		149.2		3.981		3.832	
November	4.714	3.3	2.732	0.8	164.7	-13.4	3.999	3.2	3.834	3.9
December	4.741		2.754		167.8		4.020		3.852	
January 1991	4.719		2.740		170.3		3.999		3.829	
February	4.737 *	1.6	2.752 *	1.8	172.4 *	27.1	4.018 *	1.6	3.846 *	0.6
March	4.752		2.763		168.8		4.031		3.862	
April	4.778		2.779		176.2		4.053		3.877	
May	4.797	5.3	2.787	5.4	177.1	17.9	4.069	5.4	3.892	4.9
June	4.818		2.799		179.7		4.086		3.906	
July	4.838		2.810		177.5		4.103		3.926	
August	4.857	5.1	2.822	4.9	177.9	-0.9	4.118	5.0	3.941	5.2
September	4.878		2.833		176.3		4.136		3.959	
October	4.901		2.845		173.7		4.156		3.982	
November	4.922	5.5	2.859	5.3	173.5	-6.1	4.174	5.5	4.000	6.1
December	4.947		2.872		176.2		4.195		4.019	
January 1991	4.968		2.886		174.4		4.213		4.039	
February	4.993	5.7	2.901	6.0	178.5	6.7	4.239	6.1	4.060	6.1
March	5.014		2.915		179.1		4.259		4.080	
Chng Mar(92)/Mar(91)		5.5		5.5		6.1		5.7		5.7
Chng Mar(91)/Mar(90)		3.4		3.5		-1.4		5.2		5.5

PROJ includes current information until the * and then projections by month thereafter
 AR% is the annualized percentage change from the previous quarter.
 # is the percentage change in the labor force

CONSUMPTION

	Personal Consumption		Durables		Nondurables		Services		Consumption Real	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
October	3723.0		475.5		1216.2		2031.3		2673.6	
November	3724.8	4.0	469.7	-9.2	1219.3	4.4	2035.8	7.2	2670.0	-2.9
December	3742.3		467.3		1218.2		2056.8		2683.8	
January 1991	3718.8		441.1		1218.5		2059.2		2654.0	
February	3735.2 *	0.5	445.8 *	-19.8	1219.4 *	0.5	2070.1 *	5.8	2664.2 *	-1.9
March	3751.1		449.6		1220.2		2081.2		2671.2	
April	3766.2		450.6		1222.4		2093.3		2676.4	
May	3780.4	5.0	451.8	5.6	1223.3	1.5	2105.2	6.9	2678.6	2.4
June	3794.8		452.3		1225.7		2116.7		2681.5	
July	3814.0		454.4		1229.2		2130.4		2687.5	
August	3828.4	5.3	456.5	4.2	1233.1	3.2	2138.9	6.8	2690.6	1.9
September	3846.8		458.1		1238.4		2150.3		2696.7	
October	3869.3		462.4		1243.8		2163.2		2705.9	
November	3887.1	6.2	464.0	7.6	1248.5	4.7	2174.6	6.7	2709.7	2.8
December	3905.7		467.8		1251.1		2186.8		2714.7	
January 1991	3925.5		470.9		1256.2		2198.4		2721.0	
February	3946.2	6.2	473.3	7.7	1261.8	4.5	2211.1	6.8	2726.5	2.4
March	3966.0		476.0		1266.6		2223.4		2732.1	
Chng Mar(92)/Mar(91)		5.7		5.9		3.8		6.8		2.3
Chng Mar(91)/Mar(90)		4.2		-6.8		3.5		7.4		-0.2

RETAIL SALES

	Retail Sales		Non-Auto Durables		Auto (Million Units)		Nondurable Sales		Auto Sales	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
October	151.75		22.57		9.3		97.69		31.49	
November	151.75	2.2	22.27	-5.0	8.7	-28.0	98.29	4.1	31.19	1.6
December	149.56		21.86		8.9		97.89		29.81	
January 1991	148.19		21.76		7.6		97.95		28.48	
February	148.79 *	-5.9	21.70 *	-8.5	8.2 *	-34.5	98.02 *	0.3	29.07 *	-21.8
March	149.30		21.78		8.4		98.09		29.43	
April	149.58		21.80		8.4		98.26		29.52	
May	149.80	2.9	21.76	0.7	8.5	21.4	98.34	1.5	29.70	9.3
June	150.05		21.80		8.5		98.53		29.72	
July	150.56		21.87		8.6		98.81		29.88	
August	151.11	3.6	21.94	3.1	8.8	13.2	99.12	3.2	30.05	5.1
September	151.72		22.05		8.8		99.55		30.12	
October	152.64		22.12		9.0		99.98		30.54	
November	153.21	5.7	22.20	4.6	8.9	12.8	100.36	4.7	30.65	9.8
December	153.85		22.29		9.1		100.57		30.99	
January 1991	154.61		22.39		9.2		100.98		31.24	
February	155.34	5.6	22.45	4.8	9.3	14.0	101.43	4.5	31.46	9.8
March	156.03		22.56		9.4		101.82		31.65	
Chng Mar(92)/Mar(91)		4.5		3.6		11.9		3.8		7.5
Chng Mar(91)/Mar(90)		0.1		-6.0		-11.5		3.6		-6.2

PROJ includes current information until the * and then projections by month thereafter
AR% is the annualized percentage change from the previous quarter.

CONSTRUCTION

	Housing Starts		Single Family Starts		Multi-Family Starts		Housing Permits	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
October	1.026		0.839		0.187		0.920	
November	1.130	-26.4	0.769	-28.7	0.361	-19.0	0.906	-46.5
December	0.975		0.749		0.226		0.844	
January 1991	0.850		0.632		0.218		0.804	
February	0.853 *	-54.6	0.651 *	-53.6	0.202 *	-57.5	0.792 *	-35.6
March	0.867		0.662		0.205		0.796	
April	0.894		0.683		0.211		0.814	
May	0.914	27.1	0.696	31.5	0.218	14.1	0.826	12.2
June	0.921		0.704		0.217		0.822	
July	0.939		0.713		0.226		0.831	
August	0.945	17.8	0.720	15.8	0.225	24.2	0.838	8.4
September	0.959		0.728		0.231		0.843	
October	0.980		0.740		0.240		0.855	
November	0.993	21.2	0.746	16.3	0.247	37.9	0.871	18.0
December	1.010		0.758		0.252		0.892	
January 1991	1.024		0.769		0.255		0.911	
February	1.043	19.2	0.782	17.4	0.261	24.7	0.926	27.1
March	1.050		0.785		0.265		0.943	
Chng Mar(92)/Mar(91)		21.1		18.6		29.3		18.5
Chng Mar(91)/Mar(90)		-33.2		-33.0		-33.9		-35.4

	Non-Residential		Public Construction		Residential Construction		Construction Expenditures		Real Construction Expenditures	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
October	134.6		111.9		176.8		423.3		394.0	
November	132.1	-19.9	113.8	11.4	169.5	-24.1	415.4	-13.4	374.9	-12.9
December	133.3		111.3		165.5		410.1		371.1	
January 1991	130.6		104.7		161.3		396.6		359.2	
February	130.5 *	-8.4	107.3 *	-17.1	158.4 *	-24.8	396.2 *	-17.7	359.2 *	-20.0
March	130.2		109.6		156.9		396.7		359.7	
April	130.1		110.4		157.2		397.7		360.2	
May	130.2	0.0	112.5	18.7	157.9	-2.0	400.6	4.0	362.2	3.1
June	131.0		112.8		159.1		402.9		364.0	
July	130.7		112.6		160.5		403.8		364.1	
August	131.0	1.6	112.9	4.0	161.4	9.4	405.3	5.3	364.5	3.0
September	131.2		113.5		163.1		407.8		365.7	
October	131.5		113.9		164.6		410.0		367.4	
November	132.0	2.8	114.4	4.7	164.9	9.1	411.3	5.8	367.6	3.2
December	132.1		114.6		166.2		412.9		368.0	
January 1991	132.4		114.8		168.1		415.3		369.2	
February	133.0	3.4	115.1	2.9	169.4	10.4	417.5	6.0	370.1	2.7
March	133.5		115.5		170.6		419.6		371.0	
Chng Mar(92)/Mar(91)		2.5		5.4		8.7		5.8		3.2
Chng Mar(91)/Mar(90)		-7.3		-0.3		-24.2		-13.3		-13.6

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BUSINESS ACTIVITY

	Manufacturers Inventories		Durable Goods Orders		Non-Defense Capital Goods Orders		Non-Defense Capital Shipments		
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	
October	377.5		129.46		41.63		36.57		
November	378.1	0.5	116.32	-14.1	35.76	19.3	35.92	0.1	
December	375.1		119.88		42.11		36.26		
January 1991	374.9		117.77		38.20		35.88		2
February	374.4 *	-2.4	119.27 *	-10.7	39.40 *	-10.1	35.53 *	-6.0	
March	374.6		118.42		38.76		35.67		
April	375.4		116.69		37.63		35.73		
May	376.2	1.8	117.08	-4.9	37.84	-9.7	35.58	0.4	
June	377.3		117.23		37.96		35.89		
July	378.8		116.91		37.55		36.04		
August	380.1	4.1	116.38	-0.5	37.29	-3.9	36.21	5.1	
September	381.4		117.28		37.46		36.29		
October	382.9		117.94		37.89		36.53		
November	384.3	4.6	119.63	4.5	39.22	6.1	36.42	2.5	
December	386.0		116.85		36.87		36.27		
January 1991	387.5		117.72		37.16		36.18		
February	388.2	4.4	117.69	-1.2	37.22	-7.3	37.02	4.7	
March	390.1		117.96		37.46		37.28		
Chng Mar(92)/Mar(91)		4.1		-0.4		-3.4		4.5	
Chng Mar(91)/Mar(90)		0.8		-8.1		-5.2		-1.3	

	Business Inventories		Defense Shipments		Industrial Production		Capacity Utilization		
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	
October	814.3		8.77		109.9		83.0		
November	816.1	-0.3	9.23	4.2	108.2	-8.0	81.5	-10.4	
December	810.7		8.88		107.0		80.4		
January 1991	809.5 *		8.19		106.5		79.9		
February	808.1	-2.3	8.56 *	-19.8	106.3 *	-6.9	79.6 *	-9.3	
March	809.2		8.69		106.5		79.5		
April	811.4		8.62		106.2		79.1		
May	814.6	2.7	8.81	14.6	106.1	-0.9	79.0	-3.3	2.0
June	817.1		8.89		106.3		78.9		
July	820.2		8.95		106.5		78.9		
August	823.1	4.5	8.87	3.4	106.8	2.2	79.0	-0.3	
September	826.8		8.72		107.0		78.9		
October	829.4		8.66		107.3		79.0		
November	832.8	4.6	8.77	-3.9	107.5	2.5	79.0	0.0	
December	835.6		8.85		107.5		78.8		
January 1991	838.3		8.93		107.8		78.9		
February	841.6	4.4	8.72	0.8	108.0	2.0	78.9	-0.3	
March	844.7		8.68		108.1		78.8		
Chng Mar(92)/Mar(91)		4.4		-0.1		1.5		-0.9	
Chng Mar(91)/Mar(90)		2.0		-1.5		-1.9		-4.4	

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PRICES

	CPI-U (seasonally adjusted)		PPI Finished Goods (seasonally adjusted)		PPI-Industrial Commodities (unadjusted)		Estimated GNP Deflator	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
October	133.3		122.2		121.3		132.8	
November	133.7	6.9	122.8	11.3	120.6	16.1	133.4	2.8
December	134.1		122.1		118.9		133.1	
January 1991	134.6		121.9		119.3		134.2	
February	134.7 *	3.1	121.6 *	-2.5	117.6 *	-8.3	134.7	4.9
March	134.9		121.3		116.2		135.3	
April	135.2		121.4		116.5		135.5	
May	135.6	2.5	121.6	0.1	116.8	-3.2	135.9	3.6
June	135.9		121.9		116.9		136.2	
July	136.3		122.1		117.0		136.7	
August	136.7	3.3	122.4	2.5	117.3	-0.6	137.1	3.5
September	137.0		122.6		115.4		137.4	
October	137.4		122.7		117.9		137.7	
November	137.8	3.3	123.0	2.2	118.2	5.7	138.4	3.6
December	138.2		123.3		118.5		138.8	
January 1991	138.6		123.5		118.7		139.1	
February	139.0	3.6	123.9	2.7	119.0	2.7	139.8	4.2
March	139.4		124.1		119.3		140.2	
Chng Mar(92)/Mar(91)		3.4		2.3		2.7		3.6
Chng Mar(91)/Mar(90)		4.8		3.5		2.7		4.0

	Consumption Deflator		Consumer Durables		Consumer Nondurables		Consumer Services		Implicit Construction Deflator	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
October	139.3		112.9		134.6		150.2		110.8	
November	139.5	7.1	112.7	1.7	135.0	11.0	150.7	5.5	110.8	-1.0
December	139.4		112.7		135.2		150.4		110.5	
January 1991	140.1		112.4		135.3		151.3		110.4	
February	140.2 *	2.5	112.6 *	-0.6	134.8 *	-0.3	151.8 *	3.9	110.3 *	-1.3
March	140.4		112.8		134.4		152.5		110.3	
April	140.7		112.8		134.5		153.0		110.4	
May	141.1	2.5	113.0	1.3	134.7	-0.3	153.6	4.6	110.6	0.8
June	141.5		113.1		135.0		154.1		110.7	
July	141.9		113.3		135.3		154.6		110.9	
August	142.3	3.3	113.5	1.9	135.6	2.5	155.1	4.1	111.2	2.3
September	142.6		113.7		135.8		155.6		111.5	
October	143.0		113.8		136.1		156.1		111.6	
November	143.4	3.3	114.1	2.0	136.4	2.5	156.7	4.2	111.9	2.5
December	143.9		114.3		136.7		157.3		112.2	
January 1991	144.3		114.6		137.0		157.8		112.5	
February	144.7	3.6	114.8	2.6	137.4	2.9	158.4	4.4	112.8	3.3
March	145.2		115.0		137.7		159.0		113.1	
Chng Mar(92)/Mar(91)		3.4		2.0		2.5		4.3		2.5
Chng Mar(92)/Mar(91)		4.3		0.3		4.1		4.7		0.5

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MISCELLANEOUS

	Merchandise Trade Balance		Leading Indicators		Estimated GNP		Estimated GNP (1982 \$)		IVA (annual rate) Proj
	Proj	ARX	Proj	ARX	Proj	ARX	Proj	ARX	
October	-10.99		141.5		5535		4168		-31.4
November	-8.91	-25.8	139.9	-4.4	5521	0.5	4139	-2.0	-25.3
December	-6.25		139.7		5505		4135		-18.6
January 1991	-6.63 *		139.1		5524		4116		-7.3
February	-6.89	67.3	140.0 *	-1.3	5538	2.2	4113	-2.5	-4.6
March	-6.25		140.6		5592		4134		-3.5
April	-7.28		140.3		5595		4128		-3.8
May	-7.46	-52.5	141.2	3.4	5607	3.8	4126	0.2	-4.9
June	-7.23		141.7		5606		4115		-7.2
July	-7.16		142.2		5658		4139		-8.8
August	-7.48	3.6	142.8	4.7	5688	6.8	4150	3.2	-10.1
September	-7.13		143.1		5741		4178		-10.8
October	-6.92		143.4		5766		4187		-11.5
November	-6.98	7.0	143.8	3.1	5801	7.1	4193	3.3	-12.7
December	-7.48		144.2		5814		4190		-13.7
January 1991	-7.41		144.6		5840		4197		-15.1
February	-6.93	8.7	144.9	3.1	5888	6.3	4213	2.0	-15.4
March	-6.56		145.2		5918		4222		-16.7
Chng Mar(92)/Mar(91)		-5.0		3.3		5.8		2.1	
Chng Mar(91)/Mar(90)		25.3		-3.3		5.0		-0.7	

	Currency Index		Adjusted Profits		30 - Year Government Bonds		New York Composite	
	Proj	ARX	Proj	ARX	Proj	ARX	Proj	ARX
October	83.43		144.6		8.86		168.05	
November	82.12	-19.0	141.7	-41.3	8.50	-11.4	172.21	-21.1
December	83.35		143.4		8.24		179.57	
January 1991	83.51		144.0		8.27		177.95	
February	83.07	3.0	142.2	-0.3	8.05	-15.6	195.99	44.5
March	84.16 *		143.1		8.22 *		196.04 *	
April	83.11		142.6		8.05		197.40	
May	82.28	-4.9	142.5	-0.4	7.84	-10.9	200.86	21.6
June	82.25		143.8		7.95		200.22	
July	81.67		143.7		8.02		197.36	
August	80.98	-6.1	146.1	10.0	8.15	9.0	196.17	-2.9
September	81.15		149.5		8.19		200.52	
October	81.89		149.2		8.18		202.66	
November	82.24	4.2	150.6	11.7	8.33	9.0	202.16	9.5
December	82.21		151.8		8.38		202.86	
January 1991	83.27		153.4		8.27		210.83	
February	83.76	7.9	153.5	7.5	8.36	2.3	210.39	16.2
March	84.01		153.0		8.40		209.66	
Chng Mar(92)/Mar(91)		-0.2		6.9		2.2		7.0
Chng Mar(91)/Mar(90)		-11.7		-15.5		-4.0		5.4

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FINANCIAL MARKETS

	Monetary Base		M1		M2		Federal Funds		T-Bills (6 Mos.)	
	Proj	ARX	Proj	ARX	Proj	ARX	Proj	ARX	Proj	ARX
October	317.9		821.2		3325.2		8.11		7.16	
November	319.5	8.3	823.3	4.4	3325.8	3.2	7.83	-4.0	7.05	-16.3
December	319.9		825.4		3330.5		7.31		6.70	
January 1991	328.3		826.7		3332.5		6.91		6.28	
February	332.8 *	17.7	834.2 *	5.5	3352.5 *	3.0	6.33 *	-50.1	5.93 *	-41.1
March	336.0		842.1		3369.7		6.30		6.11	
April	338.9		845.8		3384.5		6.07		5.96	
May	341.1	11.1	848.5	7.0	3402.6	6.0	5.88	-31.8	5.81	-16.5
June	343.7		851.6		3414.9		5.81		5.74	
July	344.8		854.2		3440.8		5.84		5.82	
August	346.9	6.9	857.9	4.3	3462.1	7.4	5.87	-4.9	5.88	2.8
September	349.2		860.5		3482.3		5.83		5.93	
October	351.1		864.3		3498.3		5.98		6.04	
November	352.8	6.9	866.8	4.5	3511.8	6.2	6.03	13.1	6.07	14.1
December	354.6		870.2		3531.7		6.08		6.11	
January 1991	355.8		873.5		3546.8		6.21		6.23	
February	356.9	4.8	876.9	4.6	3561.4	5.6	6.28	17.6	6.34	17.0
March	358.4		880.1		3578.2		6.35		6.38	
Chng Mar(92)/Mar(91)		6.7		4.5		6.2		0.8		4.4
Chng Mar(91)/Mar(90)		10.8		4.6		3.1		-23.9		-22.2

	AAA (Seasoned)		Municipals (Bond Buyer)		(3 Month) Commercial Papers		90 Day CD's		Prime Rate	
	Proj	ARX	Proj	ARX	Proj	ARX	Proj	ARX	Proj	ARX
October	9.53		7.49		7.98		8.06		10.00	
November	9.31	-4.5	7.16	-3.6	7.85	-3.3	7.98	-4.4	10.00	0.0
December	9.05		7.09		7.80		7.82		10.00	
January 1991	9.04		7.08		7.10		7.17		9.52	
February	8.84	-15.5	6.95	-13.8	6.52	-47.4	6.69	-45.4	9.08	-28.4
March	8.86 *		6.92 *		6.50 *		6.65 *		9.00 *	
April	8.67		6.78		6.27		6.38		9.00	
May	8.46	-16.5	6.59	-18.6	6.05	-31.1	6.21	-30.2	9.00	-11.4
June	8.43		6.53		6.01		6.16		8.78	
July	8.59		6.72		5.89		6.02		8.73	
August	8.68	7.6	6.84	12.0	5.93	-10.3	6.07	-10.2	8.50	-14.8
September	8.76		6.91		6.02		6.16		8.50	
October	8.81		6.95		6.12		6.24		8.50	
November	8.99	13.4	7.08	14.0	6.17	16.9	6.28	14.5	8.50	-3.5
December	9.06		7.12		6.26		6.36		8.50	
January 1991	9.02		7.05		6.34		6.43		8.73	
February	9.12	9.1	7.16	7.2	6.38	14.1	6.48	14.3	8.75	14.4
March	9.31		7.31		6.45		6.61		8.89	
Chng Mar(92)/Mar(91)		5.1		5.6		-0.8		-0.6		-1.2
Chng Mar(91)/Mar(90)		-5.4		-5.1		-21.5		-20.4		-10.0

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